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March 1, 2005

VIA HAND DELIVERY

Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Generic Docket for the Purpose of Examining TRA Rules,
Policies and Procedures in Light of Current Trends in Gas
Industries
Docket No. 05-00046

Dear Chairman Miller:

Enclosed you will find comments of Chattanooga Gas Company to be filed in the
above referenced docket.

Sincerely,



D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/hmd
Enclosures

cc: Archie Hickerson
Steve Lindsey
Elizabeth Wade, Esq.

Comments of Chattanooga Gas Company
Docket No. 05-00046
March 1, 2005

On February 2, 2005 the TRA issued a Notice of Filing Comments, Docket No 05-00046, Generic Docket For the Purpose of Examining TRA Rules, Policies and Procedures in Light of Current Trends in Gas Industry. In the notice, the Authority requested that interested parties address the need to amend its rules and procedures and include suggestions regarding the forum (e.g. workshop, or informal meeting) for the discussion of any needed amendments. The following are Chattanooga Gas Company's (CGC's) comments.

CGC commends the Authority for recognizing that the changes in the natural gas industry not only require the utilities to examine and modify their operating procedures, but also create a need for the regulatory process to be reviewed. Since the Authority has asked only for comments on the need for review and modification and has not yet established the forum for such a review, CGC will not, at this time, provide detailed suggested word changes to the rules. Instead, CGC will restrict its comments to only general recommendations of procedures and rules that require review and will reserve detailed proposals to be provided in the appropriate forum as determined by the Authority. CGC recommends that the Authority establish informal workshops in this proceeding to further review and refine the recommendations. In addition, the formation of committees consisting of both regulatory and utility personnel to more fully develop proposals resulting from the workshops would be useful prior to consideration by the Authority.

Areas recommended to be reviewed.

1. Regulatory reform

Tennessee has been in the forefront of recognizing the need for alternative forms of regulation and in 1993 adopted Rule 1220-4-2-.55 establishing alternative regulation for telephone companies in Tennessee. CGC recommends that the Authority consider in this proceeding adopting alternatives to the current rate case procedures that require an inordinate amount of Authority, utility, and intervenor resources. For example, Alabama's rate stabilization program has streamlined the regulatory process by eliminating the need for costly and time consuming rate cases, while still allowing the Commission the ability to adjust rates as necessary. This program has operated successfully for over twenty-two years. CGC recommends that the Authority review alternative regulatory procedures that have been successfully implemented in other jurisdictions, and adopt the appropriate alternative procedures for utilities operating in Tennessee.

2. Reform procedures for contested cases, including but not limited to the following:

- CGC recommends that the Authority modify its procedures to require that a procedural schedule be adopted within one month of the filing of each contested case that will allow the parties to properly plan and that will provide the Authority with the ability to easily monitor the progress of the case. The TRA would still have the ability to modify the schedule if necessary due to conditions or occurrences that were not anticipated at the time the initial procedural schedule was adopted.
- CGC recommends that the Authority define the role of Advisory Staff in contested cases and establish procedures to ensure compliance with Rule 1220-1-2-.21 when the Staff is acting as an adverse party
- CGC recommends that the Authority provide the utility and intervenor the opportunity to respond to the Staff's recommendation in a rate proceeding and other contested cases. Rate case proceedings and other contested cases include very complex and in many cases confusing issues and facts that can be easily misunderstood or misinterpreted. We understand that in assisting the Directors, the Staff prepares analysis of the record and provides memorandums that include recommendations on the various issues. Since these recommendations are not available to the parties, neither the utility nor the intervening parties have an opportunity to address any misunderstanding or misinterpretations of facts prior to the Directors making a decision regarding the case. CGC recommends that the TRA amend its procedures by providing copies of such recommendations to the parties with sufficient time for the parties to respond prior to placing the matter on a conference agenda for a decision. This is routine practice in states such as Virginia, Georgia, Florida, North Carolina, and Louisiana.
- CGC recommends that the Authority consider adopting procedures that would require a written Order to be issued within a certain period of time after the conclusion of a hearing. This would ensure timely and accurate implementation of the Authority's directives. For example, if the Authority votes on a matter, but delays issuing a written Order, the utility must either delay implementing the oral Order or bear the risk that it has clearly understood the Authority's findings. Further, in some instances, the lack of a timely written Order also encumbers a party's ability to take appropriate next steps.

3. Modify the 30 day filing requirement for PGA changes

The recent decision by the Authority to allow the Chairman to approve waivers for the 30 day requirement is greatly appreciated by the utilities, but in light of the rapid changes in the cost of gas, the utilities need the ability to respond rapidly.

The elimination or reduction of the 30 day requirement would not put the ratepayers at risk, since under the ACA requirement the actual cost of gas and the revenue collected through application of the PGA factors is reviewed annually.

4. Protection of proprietary documents during audits

As a result of the changes in the natural gas industry, the complexity and the nature of the gas procurement activities have changed. As a result in its audits of gas cost, the TRA Staff often needs access to third party commercially sensitive and highly competitive data. While CGC does not object to the TRA Staff having access to such data, it is obligated to protect such information from public disclosure. Pursuant to Tennessee statutory authority, the TRA can issue an order protecting such documents from public disclosure in a contested case. However, without such an order, all data in the possession of the TRA Staff is subject to the open records laws and cannot be protected from competitors that might seek such documents. Since the TRA has changed its procedures and requires the Actual Cost Adjustment filing under TRA Rule 1220-4-7, Purchased Gas Adjustment Rules to be accompanied by the same filing fee as a general rate case and otherwise processed the same as a general rate case, CGC recommends that the Authority issue the appropriate protective order if requested consistent with the procedures in a general rate case. Moreover, the Authority should establish procedures designed to protect commercially sensitive information from being disclosed to competitors, including but not limited to, limiting disclosure to the Staff and the CAPD only.

5. Utility responses to audit reports

Under the current procedure the Staff provides a draft of the individual findings and allows the utility to respond. The Staff, however, does not provide a copy of its recommendation or otherwise provide the utility the opportunity to respond to a recommendation that may not be supported by the facts presented in the audit. CGC recommends that prior to issuing the report, that the utility have the opportunity to fully respond to any draft conclusion or recommendation presented in the report.

6. Bare steel and cast iron replacement

As addressed in CGC's recent rate case, bare steel and cast iron facilities cannot be adequately protected from corrosion that destroys the integrity of the facilities and becomes more of a concern as these facilities age. In order to insure the timely replacement of such facilities, CGC recommends that the Authority consider the adoption of a mechanism that insures such facilities are replaced in a timely manner and the utilities are provided an opportunity to earn a fair and reasonable return without the need of continuous, costly rate cases.

7. Program to assist low income gas consumers

The Authority has for several years successfully administered the Telephone Lifeline and Link-up programs that provide assistance for low income telephone subscribers in Tennessee. No such program, however, has been developed to assist low income gas consumers. In Docket No. 04-00034, CGC proposed a program that would provide assistance to low income elderly who meet the same eligibility requirements of the Lifeline Program. Under this program, service would be provided to those eligible for assistance at a reduced rate. The program would be funded through a rider mechanism. While the program was not adopted in Docket No. 04-00034, it was recommended that the proposal be resubmitted in another proceeding. CGC recommends that the Authority investigate adopting such a program in the context of the pending generic proceeding.